

## FY 2012 Budget Considerations

For the past several years the City of Tucson has been faced with the consequences of a devastated economy. The reductions in revenue have led to unprecedented cutbacks, furloughs, and increases in fees for services. The FY2012 budget faces the same challenges. Over the last six months the Council has been developing a budget with the aid of input that came from the citizens through town halls and a core tax committee. This information has been the basis for establishing a framework for discussion of the budget.

Although major strides have been made, I still believe that several critical goals need to be addressed before the budget is finalized.

- The budget should be structurally-balanced.
- Spending cuts should be equitable across departments and services.
- Core Services should be protected to the extent possible.

Transit should not be held 100% harmless from our spending reductions, as we have made significant cuts to other core services, including public safety, parks and recreation, and other transportation services. Our regional transit system must serve the needs of our community as efficiently as possible, but gutting our transit system is not an option.

While I believe that we must be conservative in our estimates of future revenue growth, and assume that the budget will continue to be very tight for years to come, we must also position ourselves to return to providing services at or near the level provided before we were forced to make significant cuts.

### Here are some facts to consider:

Core Services Budget Reduction Proposals		
	Staff/Collaboration Team	Council Framework
<b>Police</b>	-\$10.2M	-\$10.0M
<b>Fire</b>	-\$5.0M	-\$5.0M
<b>Parks and Recreation</b>	-\$3.9M	-\$3.0M
<b>Transportation</b>	-\$5.1M	\$0
(The City Manager has presented M&C with a Recommended FY'12 budget that increases the General Fund Transit allocation by \$4.5M over the adopted FY'11 budget. This is a \$9.6M change from his originally proposed \$5.1M reduction.)		
<b>Fare Increases</b>	\$1.6M	\$1.3M

Personnel Comparisons			
	Actual FY'10	Estimated FY'11	Recommended FY'12
<b>Police</b>	1,471	1,236	1,290*
<b>Fire</b>	732	724	671
<b>Parks and Recreation</b>	592	517	500
<b>Transit (City Workers only)</b>	297	296	274**

\*50 newly authorized commissioned funded by Community Oriented Policing Services Grant

\*\*16 of the 22 recommended reductions come from "Street and Traffic Maintenance" personnel

### **Service impacts to citizens associated with cuts already made:**

1. Suspension of residential street paving
2. Reduced roadway maintenance
3. Closure of 17 summer-session swimming pools and 6 winter-session pools
4. Reduction in Police and Fire response
5. Reduction in funding to outside agencies such as arts, economic development and social services
6. Reduced access to City services by constituents due to employee furlough days
7. Deferred infrastructure replacement and maintenance of streets, facilities, vehicles, equipment and technology
8. Elimination of the Back to Basics neighborhood improvement program
9. Funding cuts to youth employment programs
10. Decrease in leisure classes and elimination of teen programs and most adult sports programs

### **Future Challenges:**

1. Annual benefit cost increases for pensions, health insurance, workers comp., unemployment insurance, and public liability insurance will consume a significant portion of future revenue growth
2. Need to restore 3.5% salary reduction that results from current furlough program
3. Impact of the census on State-Shared revenues
4. Impact of State of Arizona budget deficit on City revenues and programs
5. Approximately \$2M less in cable franchise fees starting in FY 2013
6. Aging infrastructure needs (e.g. vehicles, facilities, equipment, technology)
7. Need to restore appropriate funding for street maintenance and repairs, median maintenance, litter and graffiti removal, code enforcement and drainage needs.
8. O&M costs associated with large projects such as PCWIN and the Streetcar.
9. Increasing debt service - we cannot continue to defer payments
10. Building and maintaining appropriate reserve fund levels

### **Transit Focus:**

#### *Mass transit General Fund allocations*

Actual FY'10 - \$29M  
Adopted FY'11 - \$35M  
Recommended FY'12 - \$39.5M

#### *RTA General Fund support*

Actual FY'10 - \$844K  
Adopted FY'11 - \$1.2M  
Recommended FY'12 - \$1.2M

(NOTE: City of Tucson routes and ridership constitute approximately 90% of Sun Tran business. RTA support of COT operations does not come close to acknowledging the fact that Tucson business is the reason RTA exists as a partner in the system.)

- No reductions last 2 years to non-City (Teamster) workers
- Increase in Teamster-related personnel costs last two years: @ \$1.2M
- Revenue per passenger on Sun Tran: \$0.47
- Cost per passenger on Sun Tran: \$2.52
- Percent of ridership @ low-income fare: 48%
- Subsidies in excess of \$250K given to State, County and Tribal agencies in sales of low-income bus passes

### **Recommendations:**

1. Reduce proposed \$39.5M General Fund allocation by 7.5%, which is \$2.9M (same % reduction imposed on Police)
2. Begin selling bus passes to State, County and Tribal agencies at the full fare rate - \$250K savings  
(Note: if those agencies wish to continue selling bus passes to their clients at the low-income rate, they are free to do so, but they absorb the cost difference between full-fare and low-income, not the City of Tucson.)
3. Direct City Manager to look into forming a non-profit Foundation that would oversee the allocation of low income bus passes to the various non-profit agencies and school districts who now receive those passes directly through the COT.
4. Adopt by policy that over the next 3 years we will incrementally increase low-income bus fare rates to a level of 50% of the full fare, and that we will maintain that 50% level as changes in the full fare rates are adopted in the future (proposal is in line with FTA legally required fare levels.)
5. Immediately begin discussions with RTA and PTM for the expressed purpose of identifying system efficiencies that can be implemented, minimizing the level of service reductions to riders.

Our mass transit system is challenged with providing service to many outlying areas, bringing into the City workers who have come to rely on the RTA voter approved expanded services. Those expanded routes are paid for by other jurisdictions through IGA's they have formed with the RTA. However, there has never been a series of meetings directly between the COT, RTA and PTM to identify where and how we can build efficiencies into the overall system. The result is that while every other department in the City has seen budget reductions, we continue to increase our General Fund allocation to Transportation. That is not sustainable. Transit is one of our core services, and yet it is the only one of them that has seen significant increases in taxpayer support for its operations since the recession began. It is long past time that we address both the operational efficiencies, and that we address fare box recovery as was recommended to M&C recently by the Citizen's Transit Task Force.



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